



Patrick W. Henning, Director

March 7, 2008

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Arnold Schwarzenegger
Governor

Mr. Jeff Ruster, Director
work2future
City of San Jose Office of Economic Development
1290 Parkmoor Avenue
San Jose, CA 95126-3449

Dear Mr. Ruster:

**WORKFORCE INVESTMENT ACT
85-PERCENT PROGRAM REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08**

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the work2future (W2F) Workforce Investment Act (WIA) 85-Percent grant program operations. We focused this review on the following areas: Board composition, One-Stop delivery system, program administration, WIA activities, participant eligibility, local program monitoring of subrecipients, grievance and complaint system, and management information system/reporting.

This review was conducted by Mr. Gerald Lee from October 22, 2007 through October 26, 2007.

Our review was conducted under the authority of Sections 667.400 (a) and (c) and 667.410 of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by W2F with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations for PY 2007-08.

We collected the information for this report through interviews with W2F representatives, and service provider staff. In addition, this report includes the results of our review of selected case files, W2F's response to Section I and II of the Program On-Site Monitoring Guide, and a review of applicable policies and procedures for PY 2007-08.

We received your response to our draft report on February 11, 2008, and reviewed your comments and documentation before finalizing this report. Because your

response adequately addressed finding 4 cited in the draft report, no further action is required and we consider the issue resolved.

In addition, W2F adequately addressed findings 1, 2, and 3 cited in the draft report and no further action is required at this time. However, these issues will remain open until we verify your implementation of your stated corrective action plan (CAP) during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 80039, 80040, and 80041.

BACKGROUND

The W2F was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, very little or no allocated WIA funding has been expended. However, for PY 2006-07, W2F was allocated: \$3,919,296 to serve 525 adult participants; \$4,120,814 to serve 557 youth participants; and \$3,420,672 to serve 410 dislocated worker participants.

For the quarter ending September 30, 2007, W2F reported the following expenditures for its WIA programs for PY 2006-07: \$3,404,049 for adult participants; \$2,145,454 for youth participants; and \$2,052,289 for dislocated worker participants. In addition, W2F reported the following enrollments for PY 2006-07: 540 adult participants; 363 youth participants; and 317 dislocated worker participants. We reviewed case files for 30 of the 1,220 participants enrolled in the WIA program as of October 22, 2007.

PROGRAM REVIEW RESULTS

While we concluded that, overall, W2F is meeting applicable WIA requirements concerning grant program administration, we noted instances of noncompliance in the following areas: monitoring, nondiscrimination/Equal Opportunity (EO) and grievance complaint, and Unemployment Insurance (UI) eligibility. The findings that we identified in these areas, our recommendations, and W2F proposed resolution of the findings are specified below.

FINDING 1

Requirement: 20 CFR 667.410(a)(2) states, in part, that each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine whether or not there is compliance with WIA regulations and other applicable laws and regulations.

Directive WIAD00-7 requires, in part, that systematic follow-up be conducted to ensure that necessary corrective action has been conducted.

Observation:

We observed that W2F did not follow-up on corrective actions recommended for two of its subrecipients, Henkels & McCoy and Institute for Business Performance (IBP).

Subsequent to our monitoring visit, W2F faxed IBP's response to CRD on November 16, 2007. In addition, W2F E-mailed Henkels & McCoy response on November 30, 2007.

Recommendation:

We recommended that W2F conduct the necessary follow-up activities on the recommended correction actions and provide a copy of W2F's response to the Compliance Review Division (CRD). In addition, we recommended that W2F provide a CAP to CRD describing how it will ensure that its follow-up procedures on program monitoring are implemented in the future.

W2F Response:

The W2F stated that their review results of the monitoring of Henkels & McCoy indicated that overall, Henkels & McCoy was meeting applicable WIA requirements. Observations were made regarding their case file documentation, and these observations were addressed in Henkels & McCoy's response. Henkels & McCoy indicated that it would implement additional staff training to prevent future occurrences of the case file documentation observations.

The W2F stated that their review results of the monitoring of IBP indicated that overall, IBP was meeting applicable WIA requirements. Observations were made regarding their case file documentation, and these observations were addressed in IBP's response. The IBP indicated that the case manager responsible for the identified files was no longer a part of their organization.

Effective January 1, 2008, W2F proposes to calendar a scheduled response to future monitoring, and follow-up with calendar reminders to ensure any requested response or documentation has been received. In addition, the monitoring procedures which include follow-up will be updated and presented to service providers.

State Conclusion: The W2F's stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a future onsite visit, W2F's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80039.

FINDING 2

Requirement: 29 CFR 37.29(a)(2) states, in part, that a recipient must provide initial and continuing notice that it does not discriminate on any prohibited ground. This notice must be provided to participants.

WIAD01-21 states, in part, that initial and continuing notice of nondiscriminatory practices and the right to file a complaint must be included in each participant's file.

Observation: We reviewed and found that W2F has a policy regarding an acknowledgement of rights to file a nondiscrimination/EO complaint. However, we found that there were no procedures included in the case file for filing a nondiscrimination/EO complaint. Subsequent to our request, W2F provided a revised copy of their nondiscrimination/EO complaint form and indicated that it will include a signed copy of the nondiscrimination/EO complaint form in each case file effective October 25, 2007.

Recommendation: We recommended that W2F provide a status on its efforts to ensure that the updated copy of its nondiscrimination/EO complaint procedures is provided to all active participants and a copy is included in each active participant's case file.

W2F Response: The W2F stated that it updated its nondiscrimination/EO procedure. Subrecipients were advised of this "Internal Operational Directive" policy via e-mail and it was subsequently posted on the work2future intranet www.onestoppartners.org. Effective October 30, 2007, the updated procedure states that case managers will obtain from currently enrolled clients a signed acknowledgement of receipt of the amended procedures to be included in the clients' case file. Furthermore, on October 31, 2007, all case managers were advised of the updated procedure during the regularly scheduled monthly case manager meeting.

State Conclusion: The W2F's stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a future onsite visit, W2F's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80040.

FINDING 3

Requirement: 20 CFR 667.600 states, in part, that the local area must provide information about its programmatic grievance and complaint procedures required by this section to participants and other interested parties.

WIAD03-12 requires, in part, that the local grievance and complaint procedures and instructions on how to file a complaint must be included in each participant's file.

Observation: We reviewed and found that W2F has a policy regarding an acknowledgement of rights to file a grievance complaint. However, there were no procedures in the case file for filing a grievance complaint. Subsequent to our request, W2F provided a revised copy of their grievance complaint and indicated that it will include a signed copy of the grievance complaint form in each case file effective October 26, 2007.

Recommendation: We recommended that W2F provide a status of its efforts to ensure that the updated copy of its grievance complaint procedures is provided to all active participants and a copy is included in each active participant's case file.

W2F Response: The W2F stated that it has updated its grievance complaint procedures. Subrecipients were advised of this "Internal Operational Directive" policy via e-mail and it was subsequently, posted on the work2future intranet website, www.onestoppartners.org, effective October 30, 2007. Furthermore, on October 31, 2007, all case managers were advised of the updated procedure during the regularly scheduled monthly case managers meeting.

State Conclusion: The W2F's stated corrective action should be sufficient to resolve this issue and no further corrective action is required. However, we cannot close this issue until we verify, during a

future onsite visit, W2F's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80041.

FINDING 4

Requirement:

WIA 101(9)(ii)(I) indicates the term "dislocated worker" means an individual who is eligible for or has exhausted entitlement to unemployment compensation.

WIAD04-18 requires, in part, that a dislocated worker participant must provide eligibility documentation to substantiate that the participant:

- Has been terminated or laid off, or who has received a notice of termination or layoff, from employment; and
 - Is eligible for or has exhausted entitlement to unemployment compensation; or
 - Has been employed for a duration sufficient to demonstrate attachment to the workforce, but is not eligible for unemployment compensation due to insufficient earnings or having performed services for an employer that were not covered under a State unemployment compensation law; and
- Is unlikely to return to a previous industry or occupation.

Observation:

From the documents provided during the on-site review, we were unable to determine the unemployment insurance eligibility of nine dislocated worker participants. Specifically, we found six participants with letters indicating that they filed for UI, but no documentation to indicate they were eligible. In addition, we found another two participants with letters indicating that they filed for UI due to termination, but no documentation to indicate that they were eligible for UI. Lastly, we found one participant with a letter indicating that she filed for UI due to termination, and a case note indicating that she was disqualified from UI.

Recommendation:

We recommended that W2F provide documentation of the UI eligibility status of the nine identified participants.

W2F Response: The W2F provided documentation from the local Employment Development Department Office verifying that each of the participants received UI benefits.

State Conclusion: We consider this finding resolved.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is W2F's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain W2F's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Mr. Gerald Lee at (916) 654-8270.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Shelly Green, MIC 45
Jose Luis Marquez, MIC 50
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